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ABSTRACT

In this period of financial austerity in education, community colleges can diversify their sources of revenue as an alternative to reducing or eliminating programs or accepting a decline in the quality of education. One such approach involves the colleges in commercial activities undertaken to support educational programs and services. Although there are legal, organizational, and financial factors requiring consideration before embarking on these efforts (e.g., the question of taxation and the risks involved), these are not insurmountable barriers to successful engagement in commercial ventures. A survey of 70 California community colleges revealed that 13 of the 36 colleges responding were operating or planning to operate for-profit ventures, including contract education, catering food to the community, retail sales, leasing facilities, and granting concessions. Other colleges seeking to diversify their sources of revenue should take advantage of the physical assets they possess, recruit experts to advise on legal and business matters, engage the help of small business groups, obtain approval of the board of trustees, and establish a committee to oversee the project. Problems that need to be overcome include perceptions that for-profit ventures by educational institutions are illegal, that most of the money made will be lost in taxes, and that the college's mission will be diluted. (HB)

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REVENUE DIVERSIFICATION

A New Source of Funds for Community Colleges

November, 1982

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With all the bad news we have received lately, it's no wonder that community college faculty and administrators are discouraged. Taxpayer revolts, predictions of enrollment declines, and reduced federal and state support all add to the discomfort. Little consolation can be found in scholarly and not-so-scholarly literature. The so-called Brookings Study (Breneman and Nelson), the "Bloom is Lost for 2-Year Colleges" piece in the Los Angeles Times (Roark), and the notorious "Academic Mickey Mouse" editorial in the Sacramento Bee (May 11, 1982) are cases in point. It's as if the community college movement, enormously successful over the past eighty years, has bogged down in a mire of events and circumstances over which it had little, if any, control.

I submit that these events and circumstances are now permanent facts of life for community colleges. The heydeys of the 1960's and early 1970's during which we enjoyed almost unlimited resources for expansion of our curricula and of our student populations have no chance of returning. This is not to say that the need to serve more students with a greater variety of courses has been met. To the contrary, a larger percentage of high school graduates now goes to college than did twenty years ago (61% vs. 40%), and the number of students not of typical college age is also increasing: 34 percent of all college students are over 25 years of age (Friedrich, p. 66). The Carnegie Council lists community colleges among the least vulnerable to enrollment declines of institutions of higher education because "...they enjoy strong support and appeal to...enlarging categories of students: minorities..., adults, and part-time students. They also are still adding to their functions...in nonvocational and nonacademic areas. Additionally, their approaches fit the new styles of many young people." The Council blames Proposition 13 for declines in California community college enrollment; not,

I add, to reduced interest in attending college (Carnegie Council...p. 58). The predicament, then, is not one of reduced public interest in collegiate education, but rather one of finances.

Community colleges' first, and so far continuing, response to the financial crisis has been one of resistance. Here in California, we've lobbied the legislature, visited the State Chancellor's Office and the Board of Governors, and held press conferences all in an effort to sustain our programs at their current levels. We have postponed maintenance, laid off personnel, reduced expenditures for supplies and equipment, and spent reserves hoping that improved economic circumstances and contrite lawmakers would reverse the situation before wholesale cuts in programs remain as the only alternative left to balance our distressed budgets.

Having seen the failure of resistance as a viable policy, we are left with another alternative: adaptation. One way to adapt is to capitulate and go ahead with program cuts. Already in California, the legislature has expressed unwillingness to continue financing avocational, recreational, and self-help courses, in effect cutting some of our programs for us. The anticipation of tuition in 1983-84 and predictions of an even grimmer financial situation next year give us little hope that we can any longer avoid this alternative. If we are to maintain our programs, we must find other ways of adapting to financial reality.

This paper explores a creative funding source for publicly-supported community colleges. It proposes that community colleges take the same initiative ordinarily associated with the private sector. We can meet the challenges brought to us by the current economic situation with a bold measure which goes beyond simply holding out our hand and asking for help.

Before turning to the specifics of the idea, let's review briefly the scope and severity of our predicament.

THE PREDICAMENT

For several years now, we have been assaulted with dire predictions for the future. Demographic studies have revealed that the size of the traditional college age group (18-24 years of age) will fall by about 25 percent between now and 1997 (Carnegie Council..pp. 32-54). Colleges now concede that both public and private support for higher education will likely decline in the years ahead. Although spending increased 11 percent at public colleges and universities from 1979 to 1980, inflation-adjusted revenues per student dropped 1.9 percent. Spending per student for instruction, after adjusting for inflation, declined by five percent at public institutions. Total expenditures by public institutions declined 2.4 percent in the same period (Barton, et. al., p. 11).

Although some of the spending reductions have been offset by the introduction of more efficient operations, the preponderance of action now is devoted to retrenchment practices which cut back or eliminate programs to balance distressed budgets. A study conducted by the Southern Regional Education Board of twenty retrenching colleges observed that:

> A "spiral of decline" could be observed in some cases. A state revenue crisis or a drop in freshman enrollments could lead to expenditure cuts, resulting in physical deterioration of a campus, cuts in counseling and in student services, personnel cuts, and sagging morale among faculty who remained. The attitudes of students also were affected as they witnessed the conflict and deterioration of services. (In some institutions, faculty and staff had directly enlisted students as political allies in fighting staff reductions.) The results were declines in retention rates and thus another round of retrenchment. (Mingle, p. 52).

This is a sorry picture. Despite our confidence in continued public demand, we should not assume that reduced budgets will not have the same dispiriting effect on community colleges' faculty and students. In the past, we may have taken perverse satisfaction in turning away students because we have been full to capacity. Now we fear that even though admitting them, we may turn them away with low morale, shabby surroundings, and run-down equipment.

There is little point in waiting for either the federal or the state government to shore up our finances. The federal administration is striving to shift responsibilities from the federal government to state, local, and private agencies. This has resulted in reductions in almost every federal student support activity. Social Security benefits are being phased out. Pell grants have been reduced. Supplemental Educational Opportunity Grants have been cut. These reductions represent more than half of all federal outlays for higher education. Besides that, community colleges' participation in federal support for students has never been great: they get only 18 percent of all federal spending for higher education, and that is only 7.4 percent of all sources of community college revenues in 1979 (Breneman and Nelson, pp. 127, 17).

Contrary to federal policy, there is no reason to believe that state governments will be able to pick up the tab left by either reductions in federal outlays or diminished local revenues. In absolute terms, state government expenditures for higher education increase steadily over the years. When adjusted for inflation, however, state appropriations for higher education have decreased by four percent over 1980-82 as compared with a 33 percent increase in the past 10 years (Barton, et.al., p. 13).

As with most other states, California has been unable to support higher education, or other public services for that matter, to the extent it did so prior to 1978. In that year, which saw the passage of Proposition 13, state reserves were used to replace funds lost as a result of reductions in local tax revenues to local agencies and schools, including community colleges. By 1980, the state's share of community college revenues had increased to nearly 80 percent, up from the pre-Proposition 13 level of 42 percent (Cohen and Brawer, p. 137). By the spring of 1982, California's state reserves were exhausted. Moreover, the recession and consequent reduction in State revenues required substantial reduction in the State budget for 1982-83. California community colleges' share of the 1982-83 State budget was cut by $30 million as compared with 1981-82. The 1982-83 California budget for community colleges, in addition to the $30 million reduction, also made no provision for cost-of-living increases and no allowance for enrollment growth (Hayward, p. 2).

Worry about declining enrollments and financial support has been accompanied by concerns for maintaining the quality of higher education. James R. Mingle in Challenges of Retrenchment summarizes these as follows:

- Fears that increased competition for students results in "body counting" and "survival of the slickest"
- A need for a code of "fair practices" and for a strengthening of the accreditation process
- The weakening of academic standards and of rigor in such programs as teacher education and the decline in general of meritocratic values in higher education
- The decline in faculty compensation relative to that of other professionals (Mingle, p. 7).

Here is our predicament then. We must maintain the quality of our programs and, in the eyes of some, increase it; we must open our doors to increasing numbers who seek our services, and we must do so with reduced public financial support.

THE PROPOSAL

Coping with the predicament requires a comprehensive approach to developing new sources of revenues for community colleges. One component of that approach, clearly, is fundraising: seeking annual support from alumni, institutional grants from foundations and industry, and working up programs of deferred giving. Important as fundraising has become, it is not the topic of this paper. Another component calls for tuition and increased student fees with all its attendant and undesirable consequences. That, too, is not the point of discussion here.

This paper proposes that we go into business. Community colleges have enormous resources which, up until this time, have been used almost exclusively for their publicly-supported educational and community service programs, and otherwise lay idle. I suggest that these resources can earn revenues to support our non-profit activities. For-profit ventures can be thought of as revenue diversification: efforts to widen our sources of income.

Diversification of revenue sources has been practiced by commercial and industrial enterprises for centuries. It serves the purpose of reducing the risk to the organization of relying on one source for all or most of its income. Thus, business organizations engage in both vertical and horizontal integration and expand into totally unrelated business ventures as well. It was not surprising to learn that Philip Morris bought

the Mission Viejo Company, a real estate development firm, or that F. W. Woolworth, a dime store chain, also operates shoe stores and men's clothing outlets. Should we then be surprised at the notion that public community colleges use their assets, when otherwise idle, to go into business?

Revenue diversification, after all, is not new to higher education. Specific examples are easy to locate: Stanford earns two million dollars per year from its industrial park in Palo Alto; Skidmore College in New York manufactures heating fuel from drain oil, saving $250,000 per year; the University of Wisconsin has operated a shopping center and office facility for twenty years; Emory-Riddle Aeronautical University repairs and rebuilds small aircraft and operates a travel agency; Grinnell College bought a commercial television station for $12.9 million, managed it well by hiring professional broadcasters, and sold it five years later for $50 million (Barton, et.al., p. 22 ff,).

In recent years, a variety of non-profit organizations have turned more and more frequently to profit-making ventures to provide revenues to support their programs. Here are some cases in point: The Denver Children's Museum earns 95 percent of its $700,000 annual budget through money-making ventures; the Metropolitan Museum of Art in New York grosses $25 million a year by selling objets d'art; the Delaney Street Foundation, a half-way house for ex-addicts, ex-convicts, and ex-prostitutes, operates a restaurant on Union Street in San Francisco; and Baltimore's Southeast Community Organization profits from a lease-back retail store arrangement (Williams, p. 14 in Jan/Feb and p. 26 in Mar/Apr).

The growth of entrepreneurial spirit in non-profit organizations is a response to reduced public support for social services and the failure of private philanthropic giving to fill the void. For-profit ventures are risky and

are not automatically successful, but, if investigated with care and with a willingness to hire business and financial expertise, surely hold no less promise for community colleges than for other non-profit organizations.

LEGAL, ORGANIZATIONAL, AND FINANCIAL CONSIDERATIONS

For the purposes of community colleges, a diversification activity is defined as a business venture, either developed or acquired, for which the community college or college district is responsible as a result of its ownership for all or a controlling share of the venture. The purpose of the activity is to make a profit which can be used to help support educational and other non-profit activities. We should understand that revenue diversification goes beyond merely offering community service courses on a self-supporting fee basis as one answer to the elimination of state apportionment. Revenue diversification is not a break-even proposition--its intent is to make a profit.

For-profit activities can be operated by any non-profit institution, and several community colleges in California are already doing so. It is important to distinguish between two types of for-profit activities: (1) those which are related to the non-profit purposes of the colleges and (2) those which are not. If the for-profit activities are unrelated to the non-profit purposes, the profits are taxable, according to the Internal Revenue Service (IRS). For example, let's say your college leases space in a local shopping center and starts a video arcade. The profits from this venture are taxable, assuming that there is no substantive relationship between operating an arcade and the non-profit purposes of the college.

In this case, one must pay attention to the tax-exempt status that the college enjoys as a non-profit institution. Whether or not that status is jeopardized by for-profit ventures depends on how the ventures are organized and the amount of revenue generated.

Available literature suggests that as long as the profit-making activities are organized separately, say with a separate corporate organization with no overlapping directorates, and as long as the revenue from for-profit ventures does not exceed 35 percent of its total income, there is no danger that the IRS will revoke the college's tax-exempt status. Also, the degree to which the non-profit organization participates in equity ownership of the for-profit corporation should not exceed 80 percent (Williams, Mar/Apr pp. 38-41).

To continue our example of the arcade venture, suppose that your college invests three quarters of the required capital, and a private investor provides the remainder. A corporation is formed with a directorship consisting of persons who do not serve as members of the governing board of the college. The arcade is set into operation; the corporation earns profits and pays income tax on them. The after-tax profits are distributed to the owners (the college and the private investor) in the form of dividends. As long as the dividends do not exceed 35 percent of the total college revenues, its tax-exempt status is not threatened. Dividends are not subject to further tax because of the college's tax-exempt status. Before leaving this example, we should consider from where the college is going to get the funds to invest in the 75 percent share in the corporation. California law, as interpreted by the various counties in their regulations, requires community colleges to spend their resources for those purposes which appear in their official budgets and, more generally, for the educational and other non-profit activities of the district. Budgeting funds for the purposes of launching a for-profit venture which is not related to the

college's educational program may not be contrary either to California statutes or to the county regulations which interpret them, but may raise legal questions which would take a long time to answer. I am advised by legal counsel that there is no concern if the investment were made by the college's foundation. It, too, is a tax-exempt institution, but is not prevented from investing and managing its funds as it sees most fit.

The situation is a lot less complex when the for-profit venture is substantively related to the non-profit purposes of the college. Let's assume that your college decides to start a banquet and catering service, providing victuals for receptions, weddings, community gatherings, and the like. The food is prepared in the college cafeteria at times when its valuable assets stand dormant. Most important, the food is prepared by students enrolled in the college's culinary arts program. In this situation, participation by students as a part of their educational program renders this project one which is related to the non-profit purposes of the college. Unlike the nonrelated arcade venture which paid corporate income tax, the banquet service would pay no taxes on its profits.

For-profit ventures, both related and unrelated to the non-profit purposes of a community college, could be organized and operated under the auspices of an existing college foundation. This approach has the advantage of utilizing a financial organization already available to most community colleges. Using a foundation, however, is not without problems. The foundation is also a non-profit organization and is subject to IRS regulations concerning profit-making activities. These include, as discussed previously, the need for a separate organization for the for-profit operation with no overlapping directorates and the caution not to earn profits which exceed 35 percent of the foundation's

total revenues. Most community college foundations are fairly small, with modest revenues. A successful venture might easily produce profits which exceed 35 percent of the foundation's total revenues.

In the beginning, there is little risk. The college will most likely initiate enterprises related to its regular, non-profit purposes by employing assets already available on campus. Most significantly, it will adopt generally accepted accounting practices to calculate its costs. This is an important feature of the for-profit venture idea. As with other public agencies, public community colleges have no asset or overhead accounting systems. As a result, the costs of its programs do not take into account the depreciation of buildings, equipment, and other fixed assets, nor do they allow for reasonable allocations of employee benefits, utility and insurance costs, custodial services, and general administrative overhead. In an operation such as our banquet service, these costs, when added to such direct costs as supplies, labor, advertising, and delivery, reduce paper profits substantially. They do not, however, reduce cash revenues from the operation which are used to cover these costs, resulting in a direct contribution to the operation of the institution.

Sooner or later, however, if the venture is successful, the issue of organization will become preeminant. At that point, the college will be well advised to organize its profit-making ventures separately.

Let's pause for a bit and recapitulate. Considering the scant information available and the lack of experience that community colleges have in operating for-profit enterprises, it would appear that we have three alternatives:

A. Organize for-profit ventures which are unrelated to our non-profit purpose. Establish a separate corporate organization for the ventures. Capitalize the corporation with funds from the college's foundation with at least 20 percent of the capitalization coming from private investors.

B. Organize for-profit ventures which are related to our non-profit purposes. Establish a separate corporation organization with financing from the college foundation and private investors as in "A" above.

C. Organize for-profit ventures which are related to our non-profit purposes. Because revenues from these ventures are non-taxable, the ventures may be operated directly by the college foundation. Keep in mind the limit on profits the IRS places on tax-exempt institutions and the constraint against overlapping directorates.

Of these alternatives, "A" and "B" hold the most promise for the long run. Alternative "C" works fine as long as the enterprise does little more than break even. In that situation, the foundation serves as no more than a receiving agent for fees paid to the college for goods and services provided.

CURRENT ACTIVITY AMONG CALIFORNIA COMMUNITY COLLEGES

In an effort to ascertain the degree to which California community colleges are currently engaged in for-profit ventures, I sent each district a brief questionnaire. Of the 70 districts, 36 responded. Thirteen described activities they were either operating or planning to operate for a profit. It's probably safe to assume that those districts that did not respond are not engaged in revenue diversification ventures or don't believe that they are, even though they may be engaged in operations similar to those reported by the responding institutions. The following paragraphs summarize the positive responses.

Contract Education

Because there has been considerable interest among community colleges over the recent past, it is surprising that more colleges did not report involvement in contract education. The idea is straightforward. The institution contracts with a business firm or other agency to conduct a course of instruction, usually of short duration, for employees of the firm. The firm pays for this service but, up until recently, the amount charged has typically covered no more than costs. The San Diego Community College District has been doing this extensively for several years. The Coast District has conducted a number of short courses for local firms in such diverse disciplines as food service, electronics, vocational ESL, and energy conservation. San Mateo also reports activity, and both Rio Hondo and Chabot are investigating possibilities of engaging in this practice on a profit-making basis.

Catering Food Service to the Community

Most community colleges have a fairly elaborate food preparation facility. Adding some equipment, perhaps, and scheduling operations at times when the facility is not preparing food for on-campus consumption opens up interesting possibilities for taking full advantage of valuable food preparation assets. Santa Barbara, for example, caters food to airlines at the Santa Barbara airport, and Monterey Peninsula College operates a catering service in conjunction with its student food service operation.

Retail Sales

Considering the heavy traffic on community college campuses, retail merchandising offers an exciting opportunity for revenue generation. College bookstores typically sell more than just books and school supplies. There

is no reason why the idea cannot be expanded. The Associated Students of Orange Coast College have operated a fashion store on campus for more than 15 years. The College of the Siskiyous is investigating several ideas, including the sale of logwood homes, furniture, and playground equipment manufactured by students in their CWETA program; sales of art prints produced by their artist in residence classes; and the development of a small business institute which would operate a direct sales business, mail-order operation, and wholesaling of locally-produced merchandise. For a year and a half, Compton College has been operating a hospital gift shop.

Leasing Facilities and Granting Concessions

One would suspect that community colleges engage in the lease of their facilities and the granting of concessions to a much greater extent than the responses to my questionnaire would suggest. Possibly, this practice is not seen as one which is profit-making in the same sense as contract instruction or retail sales. The College of the Desert grants concessions for private firms to operate their dining hall and bookstore. Coastline College has a similar system as does Rio Hondo which earns a percentage of sales. Sierra College leases facilities to the San Francisco 49'ers for summer football camps, and Orange Coast has leased its facilities to the University of Washington Huskies and the Miami Dolphins to prepare for the Rose Bowl and the Superbowl games.

Other

Mount San Antonio College has produced and sold instructional materials to schools and colleges for years. The College of the Siskiyous is developing a press for educational materials, and Monterey Peninsula College is opening up a printing service for local businesses and government agencies.

This year, Orange Coast inaugurated its Sailing Academy, offering instruction in sailing and navigation and organizing cruises.

The point of all this is to demonstrate that community colleges can engage in profit-making ventures, and that several have done so with imagination. If it can be done by some, it can be done by many.

GETTING STARTED

Successful revenue diversification for community colleges will take advantage of physical assets already available and which can be pressed into profit-making service. Kitchen equipment for a catering operation and a library for a computerized information gathering service are ready examples. Successful ventures will also take advantage of opportunities and features peculiar to the institution. For instance, the College of the Siskiyous is uniquely situated to sell logwood homes and furniture and has a related instructional program. With the disenfranchisement of real estate continuing education courses, the Coast District reorganized its extensive real estate certificate and degree program into a Real Estate Institute at Coastline, and its no-longer-funded marine activities and sailing courses into Orange Coast's Sailing Academy.

Organizing and implementing for-profit activities will require considerable discussion, legal advice, and consultation with experts in business organization, taxation, accounting, and market research. It will also take managerial and business talent, particularly in the field of marketing. I recommend the appointment of a full-time business manager for revenue diversification activities, even though I understand full well the reluctance of a college to hire non-teaching personnel these days. The college could

already have someone on staff who could undertake the responsibility of implementing revenue diversification. I would caution against appointing some current staff member just because his or her position has just been eliminated and is awaiting an official lay-off or reassignment when the next year's budget is prepared. What is needed is someone who knows what to do and how to do it.

Help is available. The Small Business Administration and its Service Corps of Retired Executives (SCORE) in the SBA's Los Angeles Office can provide a wealth of knowledge. Other sources of help and information include the American Federation of Small Business, Chicago; The Institute for New Enterprise Development, Belmont, Maine; the National Business League, Washington, D.C.; and the National Council for Small Business Development, Milwaukee.

So far as what to do first, the community college district board of trustees should review information about revenue diversification and, if so disposed, should make a commitment for full-scale investigation of the opportunities within the district's resources. Following the board's approval, the following steps could be taken:

1. Review by the college's top administrative staff.
2. Establishment of a college-wide (or district-wide) steering committee consisting of both administrators and faculty.
3. Identification of possible revenue diversification projects for further investigation by the steering committee.
4. Establish consulting teams for each activity. The teams should include administrators, faculty, and advisors from the business community. They should have expertise in the activity being investigated.
5. Select two or three for-profit ventures to implement as pilot programs.

6. Consult with legal and tax experts for the purpose of establishing the best organizational and operational plan for the ventures.

7. Start the ventures.

8. Evaluate the ventures after one year of operation, not so much as how profitable they are, but how well the diversification procedures work.

9. Modify procedures as needed and continue by adding more for-profit ventures as the opportunities arise.

Don't think for a minute that revenue diversification will solve all of your financial problems. Initial ventures are more likely to just cover costs and contribute some to overhead than they are to earn fabulous profits. But even that contribution will make them worthwhile. Be willing to accept failure. Unlike the private business concern which must risk considerable capital to go into business, community colleges can utilize existing assets including both physical facilities and personnel so that their risk is minimal. Recognize that nine out of ten new small businesses fail after five years or so, but don't panic. Remember, we cannot lose assets which are already employed by our other activities and which we use only in their off hours.

Finally, don't make some of the more common mistakes associated with for-profit ventures which failed when started by non-profit institutions:

1. Poor choice of consultants

2. Poor choice of management personnel

3. Underestimating the competition

4. Insufficient overseeing of the operation by college personnel (Williams, Mar/Apr, p. 31)

PROBLEMS WITH REVENUE DIVERSIFICATION

In talking with community college people about the idea of revenue diversification, I've uncovered a number of negative or potentially negative reactions.

"It Must be Illegal"

None of my investigations have suggested that it is illegal for community colleges, as non-profit institutions, to earn money. To be sure, here in California, we are an arm of the state and are more usually considered to be fund-spending rather than fund-earning institutions. Nevertheless, we do earn funds, and in a number of ways, as my investigations have shown. The IRS encourages non-profit organizations to engage in profit-making ventures (Hopkins, p. 38). Here in the Coast District, our counsel tells me that he knows of no legal reason why community colleges in California cannot launch for-profit activities, particularly under the auspices of their foundations.

"The State Will Take the Money Away"

This is a political comment rather than an economic one, and state support for community colleges has always been a political question. It's more likely that we can use political influence to protect our earnings than we can to increase our state apportionments. Already the state has eliminated funding for certain types of classes by establishing what we now disparagingly refer to as the "hit list." Our reaction has been to offer the courses, if we can, on a fee-charging, self-supporting basis, and we've heard no objection. A recent report of the Executive Director of the California Association of Community Colleges recounts an interesting discussion of the California Community College Board of Governors held on August 27, 1982: "The present tenor of the discussion suggests that local boards may have a dual responsibility to develop funding for, as well as implement, those aspects of the total community college mission not identified as statewide priorities, especially if the Legislature elects to fund only those aspects of the mission which have been identified as statewide priorities." (Kellerman, p. 2). This intimates that the state will select those programs which it will fund and leave the methods of funding the others to us.

"It Competes with Local Business"

This comment reflects concern that we will lose community support for the college if we enter the marketplace in competition with local enterprise. We can mount a strong argument that the local community will benefit from our increasing independence from tax revenues. Already local tax support has dropped substantially as a result of Proposition 13, and we are striving through our revenue-raising efforts to maintain our services to the community despite the loss. Local business stands to gain a lot more from a financially strong community college than a weak one. Students emerge more adequately trained for business occupations if they have participated in real-life business activities. To the extent that we go into business by charging for services that we have heretofore offered for free, we are reducing competition with local businesses, not increasing it. Local dance studies must look with favor on our charging for dance clases when before we did not.

"It Dilutes Resources Away from the Primary Function of the College"

This will be true if we let it. To be successful at both our non-profit educational purposes and our for-profit ventures, we must assure that there is a clear distinction between them in the allocation of our resources. Just as it is mistaken to appoint a development officer on a part-time basis and expect fundraising success, it is mistaken to expect a harried dean to start a business venture in his or her spare time. Success with this idea will take the full attention of those who are not involved with other affairs of the college. Keep in mind that a successful venture will cover all of its costs, including administrative ones. Thus, it will pay for its own full-time attention.

"Who Gets the Profits?"

As I talk with faculty members and administrators about ideas for revenue-generating projects, invariably they ask: "If this aspect of my operation will become profitable, can I keep the profits?" My answer has been a qualified affirmation. You can bet that if you investigate starting a banquet service, for example, the food service faculty will want to use the proceeds to maintain and improve their program. I assured them that they will be able to do this, acknowledging that if they become self-sufficient, support should not be expected from the college's general fund for those purposes. Furthermore, if the operation become extraordinarily profitable, they should expect the profits to be used to support some other needy program. This proviso has met with no objection.

"It's Contrary to Our Ideals"

Educating our youth and other members of our community is such a valuable social service that the public should be more than willing to support it with taxes. I couldn't agree more with this ideal, and I believe that the public generally places high value on education. Unfortunately, the tax revenues are not there. There are those who feel that it is demeaning, in the light of our ideals, to grub about for profits to support our noble purpose. I disagree. There can be great psychological and morale uplift from becoming even partially self-sufficient. Non-profit institutions which have labored under their reluctance to enter profit-seeking operations are now having a change of heart. "The old attitude of 'we won't dirty our hands like that' is breaking down," according to an official of the Rockefeller Brothers Fund. "A lot of people are realizing that constant fundraising, and sometimes begging, aren't much fun either." (Williams, Jan/Feb, p. 17)

CONCLUSION

Revenue diversification offers a unique opportunity to community colleges. The technique is being used by other non-profit institutions as well as universities, state, and community colleges. We should pursue this idea vigorously as an alternative to program reductions or eliminations and quality deterioration. When greeting another community college staff member, one of the first questions asked is "How is enrollment at your college?" Perhaps, in time, that question will be followed with "And how is business?"

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